

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 31, 2004

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Evie Taft, Human Resources Administrator. Guests: Brian Law and Michael Goclowski, Law Warehouses.

EXCUSED: Chairman Anthony Maiola; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 28, 2004 shows retail sales were up around 8.4%, on-premise sales were up almost 6.3%, off-premise sales were up 17.3%, and total aggregate sales were up by 9.16%. The traffic count increased by 5,464, as did the average sale ticket by \$1.27.

The W-1 Total Weekly Sales report for the same week confirms total sales increased 9.16% or \$453,913 for the weekly comparison, and also increased for the year by 8% or \$20,903,083. Last year at this time sales were up only 4.98% over the previous year. Wine sales for the week were up 12.3% or \$267,180, and were up almost 8.3% or \$9,995,068 for the year. Last year the yearly increase was at 8%. Sales of spirits increased on a weekly basis by 6.7% or \$186,733, as they did year-to-date by 7.8% or \$10,908,215. At this point last year, yearly sales were only up by 2.5%.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding depletions or post-offs for the past week.

2,000 additional gift cards were produced last week. Craig met with Paymentech to transfer responsibility of account management from Anne Jordan to Donny Wells who can activate the cards right from his office. This method will be used next time to hopefully make the process easier.

The current W-6 Expense Budget Activity Variance Report shows the year to be at 73% completed, with about 72.8% of the budget expended.

The fire alarm project to wire the headquarters building is in the budget this year, with bids due in by April 15th. Craig expects everything to be completed by June 30th.

Work is continuing on the ACR contract amendment, which Craig hopes to be completed shortly.

All requests for transfers submitted by the Commission were approved without questions at last week's Fiscal Committee meeting.

In addition, paperwork has been submitted to Purchase and Property for the e-licensing project. A check will hopefully be received from the Venture fund to be forwarded to Systems Automation which will enable the start of this project.

Evie reported that she met with representatives from Davis & Towle, Ann-Marie Welch from the SEA and Jo Ann Bunten from the Division of Personnel. She will be meeting with Workers' Compensation representatives this morning to get a better idea of what is happening in this area. Five more claims have been submitted since she joined the Commission last Monday; one is out of work, and the other four are still on the job. This coming Friday she will meet with Craig for training. She also plans to attend as many of the regional managers' meetings as possible.

2. IT Report

Last Wednesday laptops were deployed to the Enforcement bureau. Howard reported that this went very well.

Howard spent the day last Thursday with Paymentech discussing how to distribute charges for frame relay lines and maintenance costs for RiTA among the five state agencies that use it. Also discussed was acquiring a backup license for RiTA, which will be done in July of this year and billed to the Commission by Paymentech. OIT will be taking over the responsibility of becoming the main interface for this system.

Last Friday, Karyl Durmer presented a sales and gross profit package to Marketing. John Bunnell commented that the work on gross profits was extensive and thanked IT for doing such a good job.

Either this week or next Monday Rick Racicot will put up a package which will allow licensees to sign up for training classes via the internet. Also this week, Howard and Rick will be working with an NABCA rep on re-designing the information they need. This will enable people to obtain daily sales and shipment figures for both warehouses. A daily balance sheet will also be available for the Concord Warehouse.

MINUTES OF MEETING – MARCH 31, 2004

Mike Gocłowski reported that the current system at Law which allows brokers to access receipt level information will be upgraded in a few days to a life hook-up. A broker meeting is scheduled at Law Warehouse in late April.

II. MARKETING & SALES REPORTS

1. Store Operations:

John Bunnell reported that the Warehouse inventory process was completed and went very smoothly. Peter said that the taking of store inventory this past weekend only incurred minor issues.

Total store sales for the week ending 3/28/04 increased over the same week last year by 8.07% or \$322,474.29.

Everything is still on hold for the Bedford and Seabrook locations until the leases are settled. Peter expects to receive the Bedford lease today.

The Commission has been approached by Public Works about land which may be suitable for a welcome center. Tom Smith will e-mail out further information regarding this.

Peter said he was not sure how to get three recently vacated positions filled. Craig advised that all requests for waivers are going into a folder with no action being taken at this time. Brief discussion followed regarding this.

Sales have jumped dramatically since implementation of the “Uncork the Cash” promotion.

Sales at Store #38 Portsmouth have lagged since it reopened. This is probably due to business diverted to Store #76 in Hampton when the Portsmouth store was undergoing renovations. Peter said he would be willing to advertise this store on the web site in an attempt to jump start sales at that location.

2. Purchasing Report:

There was nothing significant to report concerning out-of-stock items over the past week.

3. Merchandising Report:

A. SPIRITS:

1) St. Patrick’s Day Sale (March 11-21, 2004):

The results of the St. Patrick's Day Sale, which took place from Thursday, March 11 through Sunday, March 21, 2004 and showed moderate increases, were noted and placed on file.

2) Test Market Products:

a. Test Market Request (UV Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies/N.H./Phillips Products Company for a new test market listing for UV Vodka, 1.75L size (assigned Code #3529), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Bushmills 16-Year Old Irish Whiskey, 750ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard for a new test market listing for Bushmills 16-Year Old Irish Whiskey, 750ML size (assigned Code #2877), with limited initial distribution to Cluster 1, 2 and 3 stores, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Malibu Pineapple & Mango Rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for new test market listings for Malibu Pineapple Rum, 750ML size (assigned Code #5747) and Malibu Mango Rum, 750ML size (assigned Code #5746), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes #8558 & #4814):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #8558, Sylk Cream, 750ML size, as this item has exceeded the gross profit requirement for an added size listing at the conclusion of a six-month test market period, and delist Code #4818, Rhum Barbancourt, 750ML size, as this item failed to achieve both gross profits required for full

distribution and specialty status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) E- Mail Coupon:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the use of Code #2438, Crown Royal Special Reserve, 1.75L size for a direct e-mail to consumers entered into the Click RSVP database, to be featured on sale during the month of April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Demo and Cake Tasting Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc. to conduct informational demonstrations, including the sampling of non-alcoholic rum cake, to promote Cruzan Estate Rum in five (5) stores from April 8 through April 23, 2004, 4:00 to 7:00 p.m., as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) May 2004 Special Offers:

a. 1 item – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from United Beverages, Inc., based upon depletions, without matching state funds, of one (1) spirit item, to be featured on sale during May 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions, without matching state funds, of three (3) spirit items, to be featured on sale during May 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings:

a. Full Distribution (Codes #32294 & #26285):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the full distribution, to be ordered upon request, of Code #32294, Dom Chandon Brut, 187ML size and Code #26285, Moet & Chandon White Star, 1.5L size, each of which earned at least \$6,500. during a twelve-month period, the majority of which was in the retail and on-premise market, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (Codes #29459, #19514 & #37712):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the full distribution, to be ordered upon request, of Code #29459, Ch. Martinet St. Emilion, Code #19514, Pinot Noir Sterling Winery Lake and Code #37712, Shiraz Sterling Vintners Coll, 750ML sizes, each of which earned at least \$6,500. during a twelve-month period, the majority of which was in the retail and on-premise market, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for May 2004:

a. 6 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of six (6) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 172 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United

Beverages, Inc., based upon depletions of one hundred seventy-two (172) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Smoking Loon 2 for Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a “two for” sale on four Smoking Loon varietal wines during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Stock Vermouth Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to conduct a Stock Vermouth consumer sweepstakes during May and June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Folonari Bose Wave Radio Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Frederick Wildman & Sons to conduct a Folonari Bose Wave Radio sweepstakes during May and June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Purchase & Distribution of Century Cellars by BV:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve and offer from United Beverages, Inc./Diageo Chateau & Estates of a special purchase and distribution on four (4) Century Cellars by Beaulieu Vineyards 1.5L size wine products, to be featured on sale during May and June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Wine Specialty Products (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code as a wine specialty product, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) allocated wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) “R” Wines for Allocation to Licensees and Retail Distribution (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) “R” wine for allocation to licensees selected by the broker and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (2 items – primary source; 7 items – exclusive agent; 8 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, seven (7) wine codes which are not from primary source, but are offered by the exclusive marketing agent and eight (8) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Aidan thanked Howard and members of the IT staff for their efforts and amount of time spent in installing the new lap top computers in Enforcement.

The refurbishing of the Enforcement training room will be completed today. Aidan thanked Bob and his assistant for doing a great job.

Five companies submitted proposals in response to the RFP on the Underage Drinking Campaign. There will be a meeting of the review team this Friday, and

next Thursday the top finalists will give oral presentations. A proposed contract will then be forwarded for Governor & Council approval.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated March 25 through March 31, 2004. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for coupon (pad, necker and consumer offer) approvals to be implemented during April 2004. The motion was unanimously adopted.

3. Late Items/Other:

a. Special Offers for May 2004 (2 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of two (2) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

b. Request from Commissioner Russell:

Commissioner Russell reported that yesterday, after leaving the office to go home, she discovered the hood ornament had been removed from her vehicle. She asked that anyone who might have any information to please let her know. Commissioner Byrne asked that Craig and Aidan look into the possibility of installing a camera which will cover the front parking lot of headquarters.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

